

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL HOUSING ADMINISTRATION

ESCROW AGREEMENT  
ADDITIONAL CONTRIBUTION BY SPONSORS  
FOR OPERATING DEFICIT

WHEREAS, \_\_\_\_\_, a \_\_\_\_\_,  
is sponsor of a project located in the City/County of \_\_\_\_\_, State of \_\_\_\_\_,  
identified as FHA Project No. \_\_\_\_\_, which project has been, is being, or  
will be constructed from the proceeds of a mortgage (or deed of trust) from \_\_\_\_\_ to \_\_\_\_\_, with  
respect to which mortgage the Federal Housing Commissioner has issued his commitment to insure, and  
without which insurance financing of the construction of the project as proposed by the sponsor could not be  
obtained, and

WHEREAS, said commitment is conditioned upon assurance that additional funds be made available for project  
purposes, primarily for the absorption of any deficit resulting from the operation of the project during the initial  
period of occupancy;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

1. That the sponsor has deposited with \_\_\_\_\_, Depository,  
\_\_\_\_ (a) in cash,  
\_\_\_\_ (b) by an unconditional irrevocable letter of credit issued to Depository by a banking institution,  
\_\_\_\_ (c) in United States in United States Treasury securities or securities issued by a Federal agency  
with a market value equal to 115 percent of the required amount,

\$ \_\_\_\_\_, receipt of which is acknowledged by the Depository, to be held and disbursed  
by the Depository as hereinafter set out.

2. Said deposit shall be held subject to disbursement at the direction of the Commissioner for a period of \_\_\_\_\_  
months following final endorsement of the mortgage loan for insurance plus any additional period by which the  
beginning of amortization of the loan may be deferred. Disbursements from the escrow may be authorized  
monthly by the Commissioner to meet any cash deficit in the operation of the project for the period immediately  
following substantial completion of construction. In determining the amount of such cash deficit, effect will be  
given to the mortgagor's payments for amortization and deposits in the Reserve for Replacements, but no effect  
will be given to depreciation, officers' salaries, and management fees paid to the owners or sponsors of the  
project or their nominees.

3. The deposit shall be subject to immediate application to the mortgage debt in the event of default under the  
mortgage at any time prior to the expiration of the escrow period.

4. IT IS UNDERSTOOD AND AGREED that at the expiration of the escrow period, or at such earlier date as  
the Commissioner, in his sole discretion, determines that the project has achieved sustaining occupancy and  
income, any balance remaining on deposit will be returned to the sponsors, without interest.

5. IT IS FURTHER UNDERSTOOD AND AGREED that the Depository will hold and disburse this escrow at the sole direction of the Commissioner; and the sponsors hereby authorize the Depository, in the event the deposit hereunder is other than in cash, to draw against the letter of credit or to sell the bonds to the extent necessary to provide the cash necessary to make the disbursements directed by the Commissioner.

6. Whenever used herein, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Sponsor)

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Sponsor)

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Depository)